

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA

Richmond Division

UNITED STATES OF AMERICA)	
)	
v.	)	CRIMINAL NO.
)	
LAMONT C. KNIGHT,	)	18 U.S.C. § 1341
(Counts 3, 6-24, 26-38, 40-42 )	)	Mail Fraud
	)	(Counts 1 – 4)
RICHARD A. HERTZ, SR.,)	
(Counts 3, 5-15, 17-24, 26-38, 40)	)	18 U.S.C. § 1343
	)	Wire Fraud
THOMAS W. HOFER, JR.,	)	(Counts 5 – 24)
(Counts 14-15, 17-24, 26-40) and)	
	)	18 U.S.C. § 1956
CLYDE E. AUSTIN, SR.,	)	Money Laundering
(Counts 1-15, 17, 25-28, 40)	)	(Counts 25 – 39)
)	
Defendants.	)	18 U.S.C. § 1956(h)
	)	Money Laundering Conspiracy
	)	(Count 40)
)	
	)	18 U.S.C. § 1623
	)	Perjury
	)	(Counts 41 – 42)

INDICTMENT

JUNE 2003 TERM - AT RICHMOND, VIRGINIA

THE GRAND JURY CHARGES THAT:

COUNTS 1 – 3

(Mail Fraud)

At all times material herein:

A. Introduction

1. The defendant, LAMONT C. KNIGHT, a resident of Richmond, Virginia, was a

promoter of an “investment” trading program, marketed predominantly through churches, which promised an extraordinarily high rate of return. He was also the pastor of a local church and a bishop in a nationwide religious organization headquartered in Atlanta, Georgia and the President of Athletes for Jesus, Incorporated, a nonprofit corporation headquartered in Richmond, Virginia.

2. The defendant, RICHARD A. HERTZ, SR., a resident of Richmond, Virginia, assisted KNIGHT in the promotion of the “investment” trading programs. He also was a minister and an elder in a church affiliated with the same nationwide religious organization referred to in Paragraph 1.

3. The defendant, THOMAS W. HOFER, JR., a resident of Richmond, Virginia, was the owner of various health care companies providing home health services in Richmond, Virginia and the surrounding area. HOFER initially kept records for KNIGHT and HERTZ’s “investment” trading program, and later along with KNIGHT and HERTZ, became a promoter of the program.

4. The defendant, CLYDE E. AUSTIN, SR., was a resident of Cary, North Carolina and Las Vegas, Nevada. He promoted “investment” trading programs that promised extraordinarily high rates of return in North Carolina, Virginia and other places. AUSTIN recruited KNIGHT and HERTZ to such programs. AUSTIN, a former professional basketball player, was the pastor of a church in Cary, North Carolina.

Defendant KNIGHT’s Business Entities

KNIGHT used ADAR, Inc., its bank accounts, Wealth Management International, Inc. and its bank and credit card accounts for the receipt and disposition of investor funds.

5. ADAR was incorporated by KNIGHT under the laws of Delaware on or about January 30, 1998. ADAR was licensed in the Commonwealth of Virginia on or about September 14, 1998. From on or about March 6, 1998 through September 28, 1999, KNIGHT deposited approximately \$890,000 of investor funds into ADAR's account at NationsBank, which is now Bank of America.

6. Wealth Management International, Inc., ("Wealth Management"), was an offshore international business corporation organized under the laws of the Island of Nevis, which is located in the West Indies. KNIGHT purchased the ownership rights to Wealth Management in or about September 1998. Wealth Management had a bank account at Exchange Bank and Trust Company Limited in Charlestown, Nevis, West Indies and offshore credit cards through Leadenhall Bank and Trust in Nassau, Bahamas.

Defendant HERTZ's Business Entities

HERTZ used Moredoe, Inc. ("Moredoe") and at various times the following entities for the receipt and disposition of investor funds: Remnant Fund, LLC, Resource Fund, LLC, Dunamis Fund, LLC, Koinonia Fund, LLC, and ABBA Fund LLC.

7. Moredoe was incorporated by HERTZ under the laws of Nevada on or about March 4, 1998. HERTZ transferred investors' retirement funds into Moredoe's account.

8. HERTZ used Remnant Fund, LLC, Resource Fund, LLC, Dunamis Fund, LLC, Koinonia Fund, LLC, and ABBA Fund LLC to receive investors' Individual Retirement Account ("IRA") funds, which were self-directed through Mid-Ohio Securities, a company in Elyria, Ohio authorized by the Internal Revenue Service ("IRS") to be a non-bank trustee/custodian for Individual Retirement Accounts. From on or about July 24, 1998, through

July 20, 1999, HERTZ deposited approximately \$1,229,000 of investor funds into his corporate entities' bank accounts at NationsBank, which is now Bank of America.

Defendant HOFLEER's Business Entities

Freedom Financial Company, LLC ("Freedom Financial") and Midwest Capital Management, LLC ("Midwest Capital") were used by HOFLEER for the receipt and disposition of investor funds.

8. Freedom Financial was incorporated by HOFLEER under the laws of Virginia on or about February 27, 1998. From on or about September 28, 1998, through September 29, 1999, HOFLEER deposited approximately \$2,862,000 of investor funds into his Freedom Financial account at First Union National Bank in Richmond, Virginia. HOFLEER used these funds for monthly payouts to previous investors, and for payment of personal expenses. HOFLEER also diverted investors' funds to his other business ventures, which were having financial problems.

9. Midwest Capital was an offshore international business corporation organized under the laws of the Island of Nevis, West Indies. Midwest Capital was managed and controlled by HOFLEER after or about September 15, 1998. Midwest Capital had a bank account at Exchange Bank and Trust Company Limited in Charlestown, Nevis, West Indies and an offshore credit card through Leadenhall Bank and Trust in Nassau, Bahamas.

Defendant AUSTIN's Business Entities

International Financial Opportunities, LLC ("IFO"), Foxmoore Limited Partnership ("Foxmoore") and Quicksilver Holding Company were used by AUSTIN for the receipt and disposition of funds from investors in Virginia and other places.

10. IFO was incorporated by AUSTIN under the laws of Nevada on or about July 10, 1996. IFO had bank accounts at South Trust Bank in Raleigh, North Carolina and Mellon Bank in Wilmington, Delaware.

11. Foxmoore was incorporated by AUSTIN under the laws of Nevada on or about July 11, 1997. Foxmoore had a bank account at South Trust Bank in Raleigh, North Carolina.

12. Quicksilver Holding Company was incorporated by AUSTIN under the laws of North Carolina on February 18, 1998. AUSTIN had been operating “investment” programs under the name Quicksilver, or variations thereof, since at least 1997. Quicksilver had bank accounts at Triangle East Bank in Raleigh, North Carolina and Mechanics and Farmers Bank in Raleigh, North Carolina.

13. MP&G Property Management (“MP&G”) was incorporated by AUSTIN under the laws of Nevada on or about August 9, 2000. MP&G’s account at Bank of America in Las Vegas, Nevada was used for the purpose of making lulling payments to investors.

Victim Investors

14. Most of the victims of the defendants’ scheme were members of churches in North Carolina, Virginia, Illinois, and Missouri.

B. The Scheme

15. From in or about 1996 until the fall of 2000, in the Eastern District of Virginia and elsewhere, the defendants, LAMONT C. KNIGHT, RICHARD C. HERTZ, SR., THOMAS W. HOFER, JR., and CLYDE E. AUSTIN, SR., and others known and unknown to the grand jury, unlawfully and knowingly did devise a scheme and artifice to defraud and for obtaining money and property from investors by means of materially false and fraudulent pretenses,

representations, and promises, as more particularly set forth herein.

_____C. Purpose of the Scheme

16. The purpose of the scheme was for the defendants to obtain money fraudulently from investors by falsely representing that they would place investors' funds in safe "high yield trading programs" which would produce greater than market rate returns.

D. Manner and Means of the Scheme

(1) In General

17. It was part of the scheme that the defendants KNIGHT, HERTZ, HOFER and AUSTIN and others solicited money from more than two hundred potential investors and induced them to invest more than \$10 million by making materially false, fraudulent and misleading representations.

18. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN and others obtained money from investors by falsely and fraudulently representing, among other things, that:

(a) they had access to various secret and exclusive "investment" opportunities and financial instruments not available to the general public;

(b) they would place investors' funds into "high yield investment programs" (hereinafter "high yield trading" programs or "trading programs") which involved the overseas trading of financial instruments or notes, or some other lucrative business activity;

(c) the "high yield trading" programs generated profits for investors at greater than market rates of return, and in some instances as high as 10% per month or more;

(d) investors' investment principal would be at little or no risk;

(e) investors' investment principal would be returned to investors upon the expiration or maturity of their investment terms;

(f) the "high yield trading" programs involved claimed debentures, bonds, the World Bank and/or the International Monetary Fund ("IMF"), real estate, pooled investments, and other lucrative business activities;

(g) defendants had successfully earned similarly large profits for themselves and others by investing in such "high yield trading" programs;

19. It was a further part of the scheme that in order to obtain funds from investors' retirement accounts, defendants KNIGHT, HERTZ, and HOFER instructed them to wire transfer their funds to Mid-Ohio Securities, an IRS-approved securities firm in Ohio, which would then wire transfer the funds to a bank account controlled by these defendants. When these defendants submitted documentation about their program to Mid-Ohio, however, they fraudulently concealed the high rate of return promised to investors by stating the rate to be paid was only 12 percent per year.

20. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN did not place investors' money into trading programs, but instead diverted investors' funds (a) for their own personal use and benefit; and (b) for monthly "interest" and "principal" payments to previous investors, in order to (i) lull the previous investors into a false sense of security about their investment, (ii) encourage them to make future investments, and (iii) keep them from generating adverse information about their "investment" program and prematurely ending their scheme. The defendants' program was a Ponzi scheme, in which early investors are paid with the contribution of later investors rather than the profit from an underlying business

activity.

21. It was a further part of the scheme that in making payments to investors, the defendants, KNIGHT, HERTZ, HOFER and AUSTIN, preferred certain investors who were especially connected to the defendants, who had generated and would generate additional investors for the defendants, and whose names the defendants “dropped” in soliciting other investors.

22. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN recruited individuals to act as agents or salespersons to solicit and induce potential investors to place money with defendants purportedly for investment into the “trading programs.”

23. It was further part of the scheme that, in exchange for recruiting investors, defendants KNIGHT, HERTZ, HOFER and AUSTIN offered commissions and fees to the salespersons.

24. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN caused salespersons to recruit investors by making false, fraudulent and misleading representations.

25. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN sought to earn the trust of potential investors and salespersons by highlighting their religious beliefs and using religious themes in marketing their “investment” program through churches in North Carolina, Virginia, Missouri, and Illinois. This included the use of a flier which stated that the mission of one of the “investment” programs was to "help CHURCHES and STATES in establishing a system whereby all FAMILIES will have the opportunity to pursue happiness using their God given gifts and talents for their beneficiaries."

26. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER, and AUSTIN made the high yield trading programs appear legitimate, safe and secure by, among other ways, giving investors and brokers bogus "Promissory Notes."

27. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER, and AUSTIN lulled investors into believing that their "investment" funds had been and would be invested into trading programs, in order to prevent the discovery of the true use of investors' funds, and forestall legal action by investors by, among other ways:

(a) falsely reassuring investors that their funds had been safely invested, were earning the promised returns and that they would be paid "soon;"

(b) encouraging investors not to seek the immediate return of funds but to "roll over" their investments and thereby purportedly earn even greater profits; and

(c) representing to investors that the profits were currently "tied up," that funds could not presently be liquidated from the overseas investments, and that various other complications temporarily prevented the return of investors' funds into the United States, but that nonetheless, the money would eventually be forthcoming.

28. It was further part of the scheme that defendants KNIGHT, HERTZ, HOFER, and AUSTIN failed and refused to return money to investors causing them economic harm and losses of, in some cases, all or substantially all of the money the investors placed with the defendants.

29. It was a further part of the scheme, that in order to facilitate the payments of "interest" to the various investors, the defendants, KNIGHT, HERTZ, HOFER and AUSTIN encouraged the investors to open offshore credit card accounts.

(2) Development of the Scheme Over Time

Initial Use of the Scheme by AUSTIN

30. It was part of the scheme that from at least 1996, AUSTIN employed the high yield scheme described above, and variations thereof, to obtain money from investors in North Carolina, Virginia and other places. He promised numerous investors, many of whom were members of churches in North Carolina, a 10 percent monthly rate of return on their “investment” and a return of their principal in 12 months. His programs were named Quicksilver, Quicksilver Millionaires Circle, Biltmore Foundation Ltd., B.I.T. Holding Company’s B.I.T. Millionaires Club, and B.I.T. Millionaires Club - Rapid Retirement Plan. AUSTIN’s Quicksilver program also was referred to as Biltmore Foundation Ltd.

31. It was a further part of the scheme that AUSTIN marketed his programs through a network of at least a dozen salesmen in North Carolina and Virginia. Some were former professional basketball players and ministers. Many of these salesmen also invested in AUSTIN’s programs.

32. It was further part of the scheme that in or about 1997 or 1998, AUSTIN required that his salesmen each have a limited liability corporation to participate in the Quicksilver program. AUSTIN gave the salesmen the forms to establish limited liability corporations. After they completed the forms, AUSTIN had the limited liability corporations established.

AUSTIN Promotes the Millionaires Club

33. It was further part of the scheme that beginning in or about November 1997, AUSTIN promoted the BIT Millionaires Club and BIT Millionaires Club’s Rapid Retirement

Programs, in which AUSTIN solicited investments of \$5,000 and guaranteed the investors that their investments would become \$1,000,000 within seven years. Based upon AUSTIN's representations and promises, many people invested in these programs. In or about December 1997, CM invested in the BIT Millionaires Club's Rapid Retirement Plan Program for his wife and brother. In December 1997, WR also invested in this program. Moreover, through AUSTIN's recruiter in Emporia, Virginia, in or about November and December 1997, several people invested in the BIT Millionaire Club, including LG, RG, and RP.

AUSTIN Recruits KNIGHT and HERTZ

34. In or about the fall of 1997, and later, AUSTIN recruited both KNIGHT and HERTZ to promote an "investment" program in Virginia that was similar to AUSTIN's Quicksilver program. Sometime in the fall of 1998, HOFLEER became involved in the program.

35. KNIGHT, HERTZ, and HOFLEER ran the Virginia "investment" program in which they promised investors, who usually received a promissory note, a 3 to 5 percent monthly rate of return and a full return of principal. Although they concealed this from many of the Virginia investors, KNIGHT, HERTZ and HOFLEER sent the money to AUSTIN, who misappropriated large portions to himself and for payments to previous investors whom he personally had defrauded.

Misappropriations by KNIGHT, HERTZ and HOFLEER

36. By the summer of 1998, it was part of the scheme that KNIGHT and HERTZ began misappropriating funds for personal expenses and payouts to previous investors. By December 1998, HOFLEER began misappropriating funds. It was further part of the scheme that KNIGHT, HERTZ and HOFLEER commingled their funds, frequently participated in joint

presentations to investors, and used the same salesmen.

37. By the fall of 1998, even though KNIGHT, HERTZ, and HOFER had not honored their prior representations to investors, they nevertheless continued to make identical promises in late 1998 and all of 1999 to induce new investments.

JC Incident

38. It was part of the scheme that in or about October 1998, KNIGHT solicited JC, a resident of Arizona, to invest in a "Bank Debenture Trading" Program, which he described as an overseas trading program that would yield a guaranteed high rate of return. After discussing the program with JC, KNIGHT sent her an informational packet detailing the "investment" program. This packet included a document titled "Brief Overview of the Bank Debenture Trading Program."

39. After receiving the packet from KNIGHT, JC researched the trading program. Afterwards, JC notified KNIGHT about the results of her research. Then, on or about October 15, 1998, JC returned to KNIGHT the "Brief Overview of the Bank Debenture Trading Program." She also sent KNIGHT a related fraud article and a booklet published by the International Chamber of Commerce (ICC) titled, "Commercial Crime Services, Special Report, Prime Bank Instrument Frauds II, (The Fraud of the Century)." On these documents, JC informed KNIGHT that "[t]he FBI also has alerts on Bank Debentures," and "[t]here are no known debenture programs that are legit." It was a part of the scheme that despite JC's notification, KNIGHT continued to promote "bank debentures" and to solicit money from investors for his "Bank Debenture Trading" Program.

Continuing The Fraud

40. At the beginning of 1999, defendants KNIGHT, HERTZ, HOFER and AUSTIN still did not have a safe and secure source of income generation to fund (1) their obligation to pay high rates of returns to the 1998 investors and (2) their lavish lifestyles. Nevertheless, it was part of the scheme that defendants KNIGHT, HERTZ, HOFER and AUSTIN continued (1) to obtain money from investors based on the promise of a high rate of return with a low risk of loss, and (2) to misappropriate investor funds for payments to prior investors and for personal expenses.

41. It was a further part of the scheme that in or about early 1999, KNIGHT, HERTZ, and HOFER planned the division of funds among themselves and their roles with respect to carrying out the program. This included an equal division (between KNIGHT, HERTZ HOFER, and their main salesman) of the profits and an extra percentage for bringing an investor. At or about this time, KNIGHT, HERTZ and HOFER began to operate their “investment” program separately from AUSTIN, who also continued the same scheme.

Expanding the Victim Base

42. By the spring of 1999, even though defendants KNIGHT, HERTZ and HOFER had not fulfilled their prior promises and representations, in order to fund their scheme and their lavish lifestyle, they continued to make similar promises and representations. They also expanded their victim base by defrauding members of WCC, a church in Wheaton, Illinois, and members of ALF, a church in St. Louis, Missouri.

43. By the fall of 1999, KNIGHT, HERTZ and HOFER had virtually no new investor money coming, and therefore stopped making “interest” payments to most investors. When a investor contacted KNIGHT, HERTZ, or HOFER in 1999 and 2000, it was part of the scheme

these defendants would make false lulling statements. KNIGHT attributed their failure to pay to such reasons as a Y2K problem and the freezing of assets by the Internal Revenue Service. HERTZ blamed the nonpayment on the money being overseas and on a hurricane. HOFER, who usually was “out of town” or too “busy” to speak to irate investors, used reasons such as the money was “frozen by the authorities.”

(3) Investors

Investor / Salesperson CM

44. It was further part of the scheme that in or about January 1997, AUSTIN solicited a former professional basketball player, CM, a resident of Cary, North Carolina, to invest in AUSTIN’s Quicksilver Holding Company Millionaire’s Circle program. AUSTIN represented to CM that the investment would earn 10 percent interest per month for a 12 month period, be generated by investing in the stock and debentures, and that it would be insured by Lloyds of London. In or about January 1997, CM invested \$20,000 in Quicksilver Holding Company Millionaire’s Circle program and received from AUSTIN a promissory note stating that CM would receive \$2,000 monthly interest payments beginning in February 1997.

45. In reliance on AUSTIN’s representations, in 1997, CM also invested his own money in AUSTIN’s programs on behalf of family members and friends, including \$1,000 for his brother in the Quicksilver program.

46. It was further part of the scheme that in 1997 and in 1998, AUSTIN used CM and his celebrity status to solicit people to invest in AUSTIN’s “investment” programs. Believing in AUSTIN’s “investment” programs, in 1997 CM recruited people to invest in AUSTIN’s Quicksilver/Biltmore Foundation Ltd. program, which promised a guaranteed 10 percent monthly

rate of return. Although AUSTIN initially made monthly interest payments, in or about the middle of 1998 he stopped making payments.

Investor /Salesperson JTS & Investor JS

47. It was further part of the scheme that in or about April 1997, AUSTIN falsely represented to his former basketball teammate, JTS, that he would receive 10 percent a month in interest for a 12 month period if he invested in the Quicksilver program. AUSTIN further represented this high rate of return would be generated through day trading, offshore investing, and other investments. JTS invested \$1,000, and then “reinvested” his interest rather than actually receiving it each month. With respect to this investment, AUSTIN gave JTS a demand note stating that JTS would receive \$100 per month until he was paid 120% per annum.

48. It was further part of the scheme that, in 1997 through and including 1998, AUSTIN used JTS and his celebrity status to solicit others to invest in AUSTIN’s “investment” programs. AUSTIN paid JTS a commission for getting people to invest in the Quicksilver program.

49. In or about July 1997, JTS’s wife, JS, invested \$10,000, and an additional \$8,100 after a few months of receiving interest. In 1998, AUSTIN stopped paying JS the monthly interest payments.

Investor AC

50. It was part of the scheme that in or about August 1997, AUSTIN falsely represented to AC, a resident of Wake Forest, North Carolina, that AC could earn a rate of return of 10 to 15 percent interest per month on a loan investment to AUSTIN or one of his companies. AC made four investments totaling approximately \$46,000. After receiving \$16,000 in

“interest,” the payments stopped. Austin then made fraudulent statements to lull AC into a false sense of security.

Investor CB

51. It was part of the scheme that in or about December 1997, AUSTIN, acting through one of his salesmen, falsely represented to CB, a resident of Clayton, North Carolina, that he could earn 10 percent per month on one of AUSTIN’s investments, and that the high rate of return was possible because AUSTIN was involved in high yield lending between large corporations and offshore bank accounts. In December 1997, CB initially invested \$40,100, comprised of \$10,100 from his savings account and \$30,000 from a second mortgage loan which he took on his house. Using other investor’s money, AUSTIN initially paid CB the first month’s interest consisting of the promised 10 percent rate of return. After receiving this interest payment, on or about January 7, 1998, CB invested an additional \$51,000 of his and his wife’s retirement funds, and another \$15,000 from “interest” payments received from AUSTIN.

Investor SG

52. It was part of the scheme that in or about early 1998, AUSTIN induced SG, a resident of Richmond, Virginia, to travel to North Carolina, where AUSTIN told her that he had a good stock option investment for her and that her money would be “guaranteed.” In reliance thereon, SG invested \$6,475 on April 8, 1998. Instead of investing the money, AUSTIN misappropriated it. AUSTIN thereafter used funds from other Virginia investors to pay SG “interest.” On or about October 5, 1998, SG invested another \$28,500, which AUSTIN misappropriated for personal living expenses and payments to prior investors.

Investor LS

53. It was part of the scheme that in or about February 1998, KNIGHT solicited LS, through her son AH, to invest in a promissory note program earning 5 percent interest per month generated by an investment in stocks or stock options. As a result, on or about March 6, 1998, LS invested \$20,000 with KNIGHT, who then (through ADAR) sent the \$20,000 to Foxmoore. AUSTIN then misappropriated approximately \$19,000 by writing a check to a previous investor and approximately \$1,000 by writing a check to his wife. LS invested an additional \$20,000 on or about December 11, 1998. KNIGHT then misappropriated her money by buying \$12,900 worth of furniture for his personal residence and making a payout to a previous investor.

Investor AH

54. It was part of the scheme that in or about February 1998, KNIGHT solicited AH to loan money to ADAR. KNIGHT promised a 5 percent monthly rate of return and represented that he would be investing AH's money in stocks or stock options. Based on KNIGHT's promises and representations, AH convinced his mother, LS, to invest, as well as his father and brother. On or about June 8, 1998, AH invested \$25,000 of his own money with KNIGHT, who then sent the money to AUSTIN. On or about July 31, 1998, AH invested \$7,000 of his own money with KNIGHT. KNIGHT again sent it to AUSTIN. Furthermore, on or about October 2, 1998, AH invested \$11,500 of his own money with HERTZ, who then sent \$1,000 of AH's money to AUSTIN. Lastly, on or about December 11, 1998, AH invested \$6,000 with KNIGHT, who misappropriated the money by sending it to a previous investor.

Investor ET

55. It was part of the scheme that on or about July 24, 1998, HERTZ obtained \$38,500 of ET's retirement funds based on the representation that ET would receive a high yearly rate of return on fully secured principal, and that the investment would be pooled with dollars from other investors and placed with "third world countries." Instead of investing ET's \$38,500, HERTZ misappropriated \$19,000 for personal expenses, including \$7,097.93 for a down payment to lease a 1998 BMW 704I priced at \$62,361. HERTZ sent the remaining \$19,500 to AUSTIN, who misappropriated the \$19,500 (plus an additional \$50,000 from SP, another investor). AUSTIN did so by (1) writing \$20,000 in checks made payable to his wife; (2) receiving \$25,000 in checks made payable to himself; (3) sending \$3,500 in checks made payable to AUSTIN's mortgage company for his monthly mortgage payment; and (4) using \$13,500 in checks made payable to other "investment" trading programs and \$8,000 in checks made payable to previous investors.

Investors EW and BW

56. It was a part of the scheme that in or about the spring of 1998, KNIGHT solicited EW and BW to invest in a "bond debenture" program that would pay them a rate of return of 3 percent interest per month on fully secured principal. KNIGHT also told EW that he had to invest quickly in order to take advantage of a trading window. In reliance thereon, EW and BW jointly invested \$30,000 in April 1998. KNIGHT sent the money to AUSTIN who misappropriated it.

57. In September 1998, EW and BW invested an additional \$62,000 with KNIGHT. It was part of the scheme that utilizing EW and BW's investment, KNIGHT gave approximately

\$16,800 to entities controlled by AUSTIN, who misappropriated a portion of the money by writing \$9,500 in checks made payable to himself and \$6,500 in checks made payable to previous investors.

58. It was further part of the scheme that KNIGHT misappropriated a portion of the remaining \$45,200 of EW and BW's money by paying \$22,845 to 18 different and previous investors, giving \$900 as a "payout" of "interest" to EW and BW, and using \$13,900 for KNIGHT's personal expenses, such as payments for his children's private education, clothing, automobile, and credit cards.

59. In October 1998, EW and BW invested another \$40,000. KNIGHT misappropriated these funds by writing approximately \$2,300 in checks for personal expenses; by making approximately \$17,700 in payouts to previous investors; and, by sending approximately \$20,000 to AUSTIN.

Investor TL

60. It was part of the scheme that in or about June 1998, KNIGHT solicited TL of Lawrenceville, Virginia to invest in a debenture program carrying a 4 to 5 percent monthly rate of return. In reliance thereon, in or about June 9, 1998, TL invested \$10,000 with KNIGHT, and on or about July 31, 1998, TL invested another \$15,000. KNIGHT sent the investments to AUSTIN's company, IFO.

Investors JM and PM

61. It was a part of the scheme that on or about September 21, 1998, HERTZ solicited JM and PM of Richmond, Virginia to invest in a "bond debenture" program carrying a 4 percent monthly rate of return on fully secured principal. In reliance thereon, JM retired early from Phillip

Morris, and invested \$119,000 from his retirement funds. HERTZ sent approximately \$50,000 to entities controlled by AUSTIN, used approximately \$5,000 for personal expenses, and wire transferred \$60,000 to an offshore account in the name of Wealth Management in Nevis, West Indies. HERTZ also made false lulling statements to JM and PM.

Investors JJ and DJ

62. It was part of the scheme that in or about June 1998, KNIGHT and HERTZ solicited JJ, husband of DJ, to invest in a "bank debenture" program paying a 5 percent monthly rate of return. In reliance thereon, on or about July 1, 1998, JJ invested \$10,000 with KNIGHT. KNIGHT then sent JJ's money to AUSTIN. KNIGHT paid JJ "interest" on his \$10,000, which induced JJ to make further investments. On or about October 15, 1998, utilizing Mid-Ohio Securities, JJ invested \$141,000 of his wife's retirement funds with HERTZ, who sent \$80,000 to AUSTIN and used the remainder for personal expenses. On or about November 13, 1998, through Mid-Ohio Securities, JJ invested \$53,000 of his wife's retirement funds.

Investors GC and BC

63. It was part of the scheme that in or about September 1998, KNIGHT solicited GC and BC to invest in a "bank bond debenture" program secured by promissory notes. On or about September 28, 1998, BC directed approximately \$31,000 from her IRA through Mid-Ohio Securities to Freedom Financial. On or about October 5, 1998, HOFER wire transferred the \$31,000 to his offshore international business corporation, Midwest Capital.

64. In or about November of 1998, GC invested \$25,000. Because of KNIGHT's, HERTZ's, and HOFER's false representations and the regular monthly payouts, GC and BC recommended that their relatives and friends invest in the defendants' program. On or about

March 3, 1999, GC and BC invested \$203,000 of their family's and friends' money in the defendants' program. Rather than invest the money, KNIGHT, HERTZ, and HOFLER misappropriated the funds by using the money to make interest payments to previous investors and by giving \$20,000 to Assist U, one of HOFLER's home health care companies.

Investor FH

65. It was a further part of the scheme that on or about November 25, 1998, defendants KNIGHT, HERTZ, and HOFLER, through one of their salespersons, convinced FH to invest approximately \$15,000 in a “bank debenture trading” program paying a 36 percent yearly return on fully secured principal. After receiving FH’s investment, HOFLER misappropriated the money as follows: \$500 to his parents, \$3,000 in cash, \$2,500 payable to himself, \$714 to a telephone company, \$393 to a travel company, and \$6,500 in checks made payable to two health care companies he owned.

Investor KS

66. It was a further part of the scheme that on or about December 12, 1998, KNIGHT falsely represented to KS of San Antonio, Texas that KS could earn a 4 percent monthly rate of return in a debenture program. KS invested \$75,000. Instead of investing the money, the defendants misappropriated the money, including transfers to businesses associated with HOFLER and AUSTIN. Once AUSTIN received the money, he further misappropriated the funds in the form of payments to his previous investors.

Investor GM

67. It was a further part of the scheme that in or about December 1998, AUSTIN represented to GM of Raleigh, North Carolina that GM could earn a 10 percent monthly rate of

return on an AUSTIN investment. AUSTIN falsely represented that he could pay such a high rate by pooling investors' monies and placing them on deposit with an offshore bank with whose president AUSTIN could negotiate higher monthly interest rates because of the large size of the deposit. In or about December 1998, GM invested \$7,000, and in January 1999, GM invested an additional \$5,000. In March 1999, GM encouraged a friend to invest \$8,000, and GM invested an additional \$2,000. AUSTIN then misappropriated the funds.

Investor LM

68. It was a further part of the scheme that in or about January 1999, AUSTIN falsely represented to LM, a former Virginia State Employee living in Raleigh, North Carolina, that she could earn a monthly rate of return of 15 percent on an investment with AUSTIN. On or about January 22, 1999, LM invested \$30,000 from her retirement funds. Instead of investing the money, AUSTIN misappropriated it. On or about May 1999, AUSTIN arranged for LM to open an offshore credit card account for which she paid \$650. AUSTIN represented that the purpose of the account was to allow him to deposit her monthly payouts. AUSTIN, however, never made any deposits to the account.

Investor DG

69. It was a further part of the scheme that in or about April 1999, HERTZ and KNIGHT falsely represented to DG and his son RG, that DG could earn a 4 percent monthly rate of return on an "investment" program connected to the World Bank and the International Monetary Fund. DG then invested \$114,000 of his retirement funds. Once the money was transferred to HERTZ's bank account, he misappropriated the funds by transferring \$100,000 to HOFER who then transferred the money to an offshore bank account in Nevis, West Indies.

Investors WH and MH

70. It was a further part of the scheme that on or about April 7, 1999, HERTZ made false statements about an “investment” program to obtain \$200,000 of IRA funds from MH, in the form of a wire transfer from Mid-Ohio Securities. HERTZ then misappropriated all of the money.

71. On or about May 7, 1999, HERTZ, KNIGHT and HOFER fraudulently obtained \$200,000 of IRA funds from WH, in the form of a wire transfer from Mid-Ohio Securities. They placed half of these funds in a “coin investment” program. These defendants also misappropriated significant portions of the “investment,” including \$5,000 to Assist U; \$3,500 to HOFER's mother; \$22,000 to HERTZ; and \$73,500 to HOFER and previous investors.

Investor RW

72. It was a further part of the scheme that on or about April 15, 1999, HOFER made false representations to induce RW of Teaneck, New Jersey to invest \$80,000 of his retirement funds in a safe investment program. Instead of investing RW's money, HOFER misappropriated the money for payments to prior investors.

Investors CA and SW

73. It was a further part of the scheme that on or about June 24, 1999, KNIGHT, HERTZ and HOFER falsely represented to SW and others connected to a church in Wheaton, Illinois, that they could earn an 18 percent yearly rate of return on fully secured principal. SW and others invested approximately \$43,506 in a loan program to be used for generating income and making donations to the church's building fund.

74. It was a further part of the scheme that of the \$40,000 that SW and others

invested, KNIGHT, HERTZ and HOFLER misappropriated the funds by paying approximately \$12,530 to three previous investors and using approximately \$7,052 for personal expenses. HERTZ commingled \$20,000 of the funds with \$50,000 invested by SS, and then used the combined \$70,000 to make payouts of \$26,938 to six different and previous investors, including \$648.90 returned to SS herself.

75. It was a further part of the scheme that in or about the summer of 1999, defendants KNIGHT, HERTZ, and HOFLER made false representations to CA, Pastor of WCC in Wheaton, Illinois. On or about July 2, 1999, CA invested \$234,000 of his retirement funds. Instead of investing the money, KNIGHT, HERTZ and HOFLER misappropriated CA's money by using it as the basis of a large payout to a previous investor.

76. On or about August 30-31, 1999, CA and his son-in-law, JW, went to Richmond, Virginia to observe Freedom Financial's operations. During this trip, KNIGHT and HOFLER lulled them with false statements as to how KNIGHT, HOFLER and HERTZ were helping the community with CA's retirement funds. None of CA's money, however, was helping the community.

Investor MF

77. It was a part of the scheme that in or about April 1998 or May 1998, KNIGHT falsely represented to MF, the Bishop of ALF in St. Louis, Missouri, that he could invest in a program involving debentures and other banking activities carrying a 5 percent rate of return per month, with the interest as well as the principal investment being paid at the end of a 12-month period. In or about July 1998, MF invested \$100,000, which KNIGHT sent to AUSTIN's company, IFO.

78. In or about July or August 1998, MF invested \$100,000 of ALF's funds at 2 percent per month, which KNIGHT again sent to AUSTIN's company, IFO.

79. On or about June 7, 1999, as a result of false representations by KNIGHT, HERTZ and HOFER, MF invested approximately \$320,573 of ALF's funds in HOFER's company, Freedom Financial. On or about June 23, 1999, MF invested an additional \$58,725 of ALF's funds with Freedom Financial.

80. On or about June 25, 1999, as a result of false representations by KNIGHT, HERTZ and HOFER, MF invested \$100,000 of his and his wife's retirement funds with Freedom Financial. HOFER never invested these funds. Instead, HOFER used MF's retirement funds, among other things, to make payments to himself and other investors.

81. MF and ALF incurred substantial losses on their investments, which were misappropriated.

Investor JT

82. In or about the summer of 1999, a salesman for KNIGHT, HOFER and HERTZ made false representations to convince JT of Richmond, Virginia to invest in the program carrying a 4 percent rate of interest per month. On or about July 15, 1999, JT invested \$275,000 of his retirement funds. KNIGHT, HOFER and HERTZ misappropriated all of the money.

E. The Mailings

83. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, the defendants, LAMONT C. KNIGHT, RICHARD A. HERTZ, SR., THOMAS W. HOFER, JR., and CLYDE E. AUSTIN, SR., for the purpose of executing such scheme and artifice and attempting so to do, knowingly placed in a post office and authorized depository for

mail matter, any matter and thing to be sent and delivered by the Postal Service, and deposited and caused to be deposited any matter or thing to be sent and delivered by a private and commercial interstate carrier, as set forth below:

Count	Defendant	Victim	Date	Mailing
1	AUSTIN	AH	6/8/1998	A \$25,000 check mailed from Richmond, VA to AUSTIN in Cary, NC
2	AUSTIN	TL	6/9/1998	A \$10,000 check mailed from Richmond, VA to AUSTIN in Cary, NC
3	KNIGHT HERTZ AUSTIN	EW	10/30/1998	A \$20,000 check mailed from Richmond, VA to AUSTIN in Cary, NC

(In violation of Title 18 United States Code, Sections 1341 and 2.)

COUNT 4

(Mail Fraud – 18 U.S.C. § 1341)

1. Paragraphs 1 through 82 of Counts 1 through 3 are realleged and incorporated herein as if fully set forth in this count, as describing the defendants' scheme and artifice to defraud investors, and to obtain money from investors by means of materially false and fraudulent pretenses, representations, and promises.

2. On or about the date of the count listed below, in the Eastern District of Virginia and elsewhere, defendant AUSTIN, for the purpose of executing the above-described scheme and artifice and attempting to do so, knowingly caused to be delivered by the Postal Service and a private and commercial interstate carrier, according to the directions thereon, such mail matter described below:

Count	Defendant	Victim	Date	Mailing
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4	AUSTIN	SG	10/5/1998	A “interest” payout mailed from Cary, NC to SG in Petersburg, VA
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(In violation of Title 18, United States Code, Sections 1341 and 2.)

COUNTS 5 – 24

(Wire Fraud – 18 U.S.C. § 1343)

1. Paragraphs 1 through 82 of Counts 1 through 4 are realleged and incorporated herein as if fully set forth in these counts, as describing the defendants’ scheme and artifice to defraud investors, and to obtain money from investors by means of materially false and fraudulent pretenses, representations and promises.

2. On or about the dates set forth below, in the Eastern District of Virginia and elsewhere, defendants LAMONT C. KNIGHT, RICHARD A. HERTZ, SR., THOMAS W. HOFER, JR. and CLYDE E. AUSTIN, SR., for the purpose of executing and attempting to execute the scheme and artifice to defraud, knowingly transmitted and caused to be transmitted by means of wire communication in interstate and foreign commerce the following signals and sounds:

Count	Defendant	Victim	Date	Wiring
5	HERTZ AUSTIN	ET	7/24/1998	Wire transfer of \$38,500 from Mid-Ohio Securities in Elyria, Ohio to Remnant Fund, LLC in Richmond, VA
6	KNIGHT HERTZ AUSTIN	JM & PM	9/21/1998	Wire transfer of \$119,000 from Mid-Ohio Securities in Elyria, Ohio to Dunamis Fund, LLC in Richmond, VA
7	KNIGHT HERTZ AUSTIN	JM & PM	9/22/1998	Wire transfer of \$60,000 from Moredoe, Inc. in Richmond, VA to Wealth Management in Nevis, West Indies
8	KNIGHT HERTZ AUSTIN	BC	9/28/1998	Wire transfer of \$31,000 from Mid-Ohio Securities in Elyria, Ohio to Freedom Financial in Richmond, VA

9	KNIGHT HERTZ AUSTIN	AH	10/2/1998	Wire transfer of \$11,500 from Mid-Ohio Securities in Elyria, Ohio to Koinonia Fund, LLC in Richmond, VA
10	KNIGHT HERTZ AUSTIN	BC	10/5/1998	Wire transfer of \$31,000 from Freedom Financial in Richmond, VA to Midwest Capital Management in Nevis, West Indies
11	KNIGHT HERTZ AUSTIN	DJ	10/14/1998	Wire transfer of \$141,000 from Mid-Ohio Securities in Elyria, Ohio to ABBA Fund, LLC in Richmond, VA
12	KNIGHT HERTZ AUSTIN	DJ	10/15/1998	Wire transfer of \$60,000 from Moredoe, Inc. in Richmond, VA to Wealth Management in Nevis, West Indies
13	KNIGHT HERTZ AUSTIN	DJ	11/13/1998	Wire transfer of \$53,500 from Mid-Ohio Securities in Elyria, Ohio to ABBA Fund, LLC in Richmond, VA
14	KNIGHT HERTZ HOFLER AUSTIN	FH	11/25/1998	Wire transfer of \$15,000 from Wachovia Bank in Richmond, through First Union's computer server in Charlotte, NC, to Freedom Financial in Richmond, VA
15	KNIGHT HERTZ HOFLER AUSTIN	KS	12/14/1998	Wire transfer of \$75,000 from Freedom Financial in Richmond, VA to AUSTIN in Cary, NC
16	KNIGHT	LS	12/14/1998	Wire transfer of \$12,900 from NationsBank in Richmond, VA, to Branch Bank & Trust in Wilson, NC
17	KNIGHT HERTZ HOFLER AUSTIN	GC	3/3/1999	Wire transfer of \$203,000 from Wachovia Bank in Richmond, VA, through First Union's computer server in Charlotte, NC, to Freedom Financial in Richmond, VA
18	KNIGHT HOFLER HERTZ	GC	3/5/1999	Wire transfer of \$13,000 from Freedom Financial in Richmond, VA to EIC in Englewood, NJ
19	KNIGHT HERTZ HOFLER	MH	4/7/1999	Wire transfer of \$200,000 from Mid-Ohio Securities in Elyria, Ohio to ABBA Fund, LLC in Richmond, VA
20	KNIGHT HERTZ HOFLER	DG	4/12/1999	Wire transfer of \$114,000 from Mid-Ohio Securities in Elyria, Ohio to Remnant Fund, LLC in Richmond, VA
21	KNIGHT HERTZ HOFLER	RW	5/5/1999	Wire transfer of \$80,000 from Mid-Ohio Securities in Elyria, Ohio to Freedom Financial in Richmond, VA

22	KNIGHT HERTZ HOFLER	WH	5/7/1999	Wire transfer of \$200,000 from Mid-Ohio Securities in Elyria, Ohio to ABBA Fund, LLC in Richmond, VA
23	KNIGHT HERTZ HOFLER	CA	7/2/1999	Wire transfer of \$234,000 from Mid-Ohio Securities in Elyria, Ohio to Freedom Financial in Richmond, VA
24	KNIGHT HERTZ HOFLER	JT	7/15/1999	Wire transfer of \$250,000 from Wachovia Bank in Richmond, VA, through First Union's computer server in Charlotte, NC, to Freedom Financial in Richmond, VA

(In violation of Title 18, United States Code, Sections 1341 and 2.)

COUNTS 25 - 39

(Money Laundering)

1. The allegations contained in Paragraphs 1 through 82 of Counts 1 through 24 above are hereby realleged and incorporated by reference as if set forth in full herein.

2. On or about the dates listed below, in the Eastern District of Virginia and elsewhere, the defendants, LAMONT C. KNIGHT, RICHARD A. HERTZ, SR., THOMAS W. HOFLER, JR. and CLYDE E. AUSTIN, SR., as more particularly set forth below, did knowingly conduct and attempt to conduct financial transactions affecting interstate and foreign commerce, that is interest and payout checks drawn on the accounts as set forth below, which in fact involved the proceeds of specified unlawful activities, to wit: mail fraud (18 U.S.C. § 1341), and wire fraud (18 U.S.C. § 1343), with the intent to promote the carrying on of said specified unlawful activity, and while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transaction, that is interest and payout checks to victims drawn on the accounts listed below, in the amounts of money listed below, represented the proceeds of some form of unlawful activity, as follows:

Count	Defendant	Date	Transaction	Use of Funds
25	AUSTIN	12/31/1998	Check for \$1,660 drawn on IFO's account in Wilmington, DE	AUSTIN paid out "interest" to SG in Richmond, VA
26	KNIGHT HOFLER HERTZ AUSTIN	3/4/1999	Check for \$3,000 drawn on Freedom Financial's account in Richmond, VA	HOFLER paid out "interest" to KS in San Antonio, TX
27	KNIGHT HOFLER HERTZ AUSTIN	3/4/1999	Check for \$6,000 drawn on Freedom Financial's account in Richmond, VA	HOFLER paid out "interest" to EW in Richmond, VA
28	KNIGHT HOFLER HERTZ AUSTIN	3/4/1999	Check for \$13,945 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to KH in Richmond, VA
29	KNIGHT HOFLER HERTZ	4/9/1999	Check for \$2,400 drawn on Freedom Financial's account in Richmond, VA	HOFLER paid out "interest" to RL in Atlanta, GA
30	KNIGHT HOFLER HERTZ	4/9/1999	Check for \$13,000 drawn on Freedom Financial's account in Richmond, VA	HOFLER paid out "interest" to EIC in Englewood, NJ
31	KNIGHT HOFLER HERTZ	5/10/1999	Wire transfer of \$13,300 from Freedom Financial in Richmond, VA	HOFLER paid out "interest" to EIC in Englewood, NJ
32	KNIGHT HOFLER HERTZ	5/13/1999	Check for \$4,760 drawn on account of ABBA Fund, LLC in Richmond, VA	HERTZ paid out "interest" to JM in Raleigh, NC
33	KNIGHT HOFLER HERTZ	5/5/1999	Check for \$500 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to WB in Richmond, VA
34	KNIGHT HOFLER HERTZ	5/5/1999	Check for \$850 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to REA in Richmond, VA
35	KNIGHT HOFLER HERTZ	5/5/1999	Check for \$2,000 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to JJ in Richmond, VA
36	KNIGHT HOFLER HERTZ	5/5/1999	Check for \$750 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to WL in Richmond, VA

37	KNIGHT HOFLER HERTZ	6/11/1999	Intrabank transfer of \$5,000 between ADAR's account in Richmond, VA and WB's account at NationsBank in Atlanta, GA	KNIGHT paid out "interest" to WB in Atlanta, GA
38	KNIGHT HERTZ HOFLER	6/11/1999	Intrabank transfer of \$4,000 between ADAR's account in Richmond, VA and WB's account at Nationsbank in Atlanta, GA	KNIGHT paid out "interest" to WB in Atlanta, GA
39	HOFLER	7/17/1999	Check for \$2,250 drawn on account of Freedom Financial in Richmond, VA	HOFLER paid out "interest" to REA in Richmond, VA

(In violation of Title 18, United States Code, Section 1956(a)(1)(A)(i) and Section 2.)

COUNT 40

(Conspiracy to Commit Money Laundering)

1. The allegations contained Paragraphs 1 through 82 in Counts 1 through 24 above are hereby realleged and incorporated by reference as set forth in full herein.

2. Between in or about the fall of 1997 through December 2000, within the Eastern District of Virginia and elsewhere, the defendants, LAMONT C. KNIGHT, RICHARD A. HERTZ, SR., THOMAS W. HOFLER, JR. and CLYDE E. AUSTIN, SR., did combine, conspire, confederate and agree with each other, and others known and unknown to the grand jury, to commit certain money laundering offenses in excess of \$5 million, as follows:

a. to conduct and attempt to conduct financial transactions affecting interstate commerce, namely (1) lulling payments to investors, (2) payments by entities controlled by KNIGHT, HERTZ and HOFLER to entities controlled by AUSTIN, and (3) payments made by entities controlled by AUSTIN to entities controlled by KNIGHT, HERTZ and HOFLER, and (4) payments by entities controlled by KNIGHT, HERTZ and HOFLER to offshore accounts,

which transactions involved the proceeds of specified unlawful activity, to wit, mail fraud, a violation of 18 U.S.C. § 1341, and wire fraud, a violation of 18 U.S.C. § 1343, with the intent to promote the carrying on of such specified unlawful activity, and that while conducting and attempting to conduct such financial transactions knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of 18 U.S.C. § 1956(a)(1); and

b. to knowingly engage in monetary transactions in criminal derived property of a value greater than \$10,000, and which was derived from specified unlawful activity to wit, mail fraud, a violation of 18 U.S.C. § 1341, and wire fraud, a violation of 18 U.S.C. § 1343, in violation of 18 U.S.C. Section 1957.

(In violation of Title 18, United States Code, Section 1956(h).)

COUNT 41

(Perjury)

1. The allegations contained in Paragraphs 1 through 82 of Counts 1 through 24 of the Indictment are hereby realleged and incorporated as if it were fully set out in this Count of the Indictment.

2. In or about July 2001, defendant KNIGHT was a defendant in a civil case pending before the Richmond Division of the United States District Court for the Eastern District of Virginia entitled, Transition Inc. et al v. Clyde Austin, Lamont C. Knight, Richard Hertz, Sr. and Thomas W. Hofler, Jr., Civil Action No. 3:01CV103.

3. It was material to the lawsuit and depositions to determine: (a) the nature of “bank debenture” program that the defendants promoted to individuals; (b) the information about the

“bank debenture” program that the defendants gave individuals who were sought as investors; and
(c) defendant KNIGHT’s knowledge of the “bank debenture” program.

4. On or about July 10, 2001 in the Eastern District of Virginia, while under oath at a deposition in connection with the lawsuit described in Paragraph 1 of this count, defendant KNIGHT did knowingly and willfully make a false material declaration, as follows:

(a) Pages 11 – 12

“Q First off, sir, George and Barbara Cameron, how is it that you know them or did you know them on or about 1998?”

“A Barbara Stults, at the time, was working for me before she married George Cameron.”

*

*

“Q Now, over the of several conversations during May, June, July and August of 1998, it has been alleged in paragraph 20 that you befriended Barbara and her husband, George. Is that correct?”

“A I know them. She worked for me.”

(b) Pages 13 – 14

“Q Okay. Are you familiar with the phrase ‘bank debenture trading program?’”

“A No. “

“Q Did you give them any literature?”

“A. No.

“Mr. Barley: You mean literature related to the – – “

"Mr. Jackson: The bank debenture program."

"A. No."

"Q Do you know what a bank debenture program is?"

"A No."

5. The aforesaid underlined testimony of KNIGHT, as he then and there well knew and believed, was false in that, he knew about the bank debenture program and, indeed, encouraged others to invest in this program.

(In violation of Title 18, United States Code, Section 1623.)

COUNT 42

(Perjury)

1. The allegations contained in Paragraphs 1 through 82 of Counts 1 through 24 of the Indictment are hereby realleged and incorporated as if it were fully set out in this Count of the Indictment.

2. In or about July 2001, defendant KNIGHT was a defendant in a civil case pending before the Richmond Division of the United States District Court for the Eastern District of Virginia entitled, Transition Inc. et al v. Clyde Austin, Lamont C. Knight, Richard Hertz, Sr. and Thomas W. Hofler, Jr., Civil Action No. 3:01CV103.

3. It was material to the lawsuit and depositions to determine: (a) the nature of "bank debenture" program that the defendants promoted to individuals; (b) the information about the "bank debenture" program that the defendants gave individuals who were sought as investors; and (c) defendant KNIGHT's knowledge of the "bank debenture" program.

4. On or about July 18, 2001, in the Eastern District of Virginia, while under oath

at a deposition in connection with the lawsuit described in Paragraph 1 of this count, defendant KNIGHT did knowingly and willfully make a false material declaration, as follows:

Pages 144-145

“Q. Did you ever explain the bank debenture program to any of your staff in the offices of Athletes for Jesus?

“A. No.

“Q. Do you know what a bank debenture program is? Do you know what I’m referencing?”

“A. No, sir.”

“Q. So it’s your testimony today that you’ve never explained to anybody a bank debenture program that you knew about and encouraged people to invest money in?”

“A. No, sir.

“Q. So if Mr. Cameron or Mrs. Cameron or Mr. Jones testified that you spoke to them about a bank debenture program, they would be lying?

“A. Yes, sir.”

(In violation of Title 18, United States Code, Section 1623.)

FORFEITURE ALLEGATION

1. Pursuant to Title 18, United States Code, Section 982(a)(1), each defendant who is convicted of one or more of the offenses set forth in Counts 25 through 40, shall forfeit to the United States the following property:

a. All right, title, and interest in any and all property involved in each offense in violation of Title 18, United States Code, Section 1956(a)(1), or conspiracy to commit an

offense in violation of Title 18, United States Code, Section 1956(h), as described in Count 40 of this Indictment, for which the defendant is convicted, and all property traceable to such property, including the following: 1) all money or other property that was the subject of each transaction, or transfer in violation of Section 1956; 2) all commissions, fees and other property constituting proceeds obtained as a result of those violations; and 3) all property used in any manner or part to commit or to facilitate the commission of those violations.

b. A sum of money equal to the total amount of money involved in each offense, or conspiracy to commit such offense, for which the defendant is convicted. If more than one defendant is convicted of an offense, the defendants so convicted are jointly and severally liable for the amount involved in such offense.

2. Pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b), each defendant shall forfeit substitute property, up to the value of the amount described in paragraph 1, if, by any act or omission of the defendant, the property described in paragraph 1, or any portion thereof, cannot be located upon the exercise of due diligence; has been transferred, sold to or deposited with a third party; has been placed beyond the jurisdiction of the court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty.

(In accordance with Title 18, United States Code, Section 982(a)(1), and Rule 32.2(a), Federal Rules of Criminal Procedure.)

A TRUE BILL:

FOREMAN

PAUL J. MCNULTY
UNITED STATES ATTORNEY

By: _____
David T. Maguire
Assistant United States Attorney
Virginia Bar No. 29323

By: _____
Rina C. Tucker
Trial Attorney
U.S. Department of Justice
Criminal Division, Fraud Section